

BY-LAWS
OF
DAWSON ADAMS MUTUAL HOMES, INC.

ARTICLE I
NAME AND OFFICES OF CORPORATION

Section 1. The name of the Corporation is Dawson Adams Mutual Homes, Inc.

Section 2. Principal Office. The principal office and place of business of the Corporation shall be in Rockville, Maryland.

Section 3. Registered Office. The registered office of the Corporation shall be at 5550 Friendship Boulevard, Suite 290, Chevy Chase, Maryland 20015, and may be, but need not be, identical with the principal office. The address of the registered office may be changed from time to time by the Board of Directors.

ARTICLE II
PURPOSE

The purpose of this Corporation is to provide its members with housing and community facilities on a non-profit basis consonant with the provisions set forth in its Articles of Incorporation.

ARTICLE III
MEMBERSHIP

Section 1. Classes of Membership. Until the first annual election of Directors and the taking of office by the newly-elected Directors, the Corporation shall have two classes of members, such classes to be designated as Class A and Class B, respectively. The Initial Directors of the Corporation, or their successors elected by them, shall comprise the Class B membership. The Initial Board of Directors shall be comprised of those persons identified as Initial Directors in the Corporation's Articles of Incorporation and in Article V, Section 1, of these By-Laws. Upon the election of permanent Directors to replace the Initial Board of Directors as set forth in Article V, Section 1 below, all Class B memberships shall terminate. Thereafter, the Corporation shall have only Class A memberships.

Section 2. Eligibility for Membership. Any natural person approved by the Board of Directors shall be eligible for Class A membership in the Corporation, provided that, at the time of initial membership approval, such person meets the income requirements as prescribed by the Department of Housing and Urban Development ("HUD") in implementation of the Section 8 Rental Assistance Program, the Occupancy Selection Criteria set forth in Article III, Section 3 below, and further provided that such a person executes a subscription agreement and an occupancy agreement in the usual forms employed by the Corporation covering a specific unit in the housing development owned or to be owned by the Corporation. A member may retain a membership in accordance with the rules or standards approved by HUD despite changes in income or family composition. A married person and the spouse of such married person may jointly own a single membership, in which event both parties shall execute the prescribed subscription and occupancy agreements. Other joint ownership of a single membership is permitted, if approved by HUD.

Section 3. Occupant Selection Criteria. A well-planned occupant selection program is vital to the success of the Corporation. If an occupant is legally eligible for membership in the Corporation, that person must pass a rigorous acceptability test based on the following:

All prospective occupants must demonstrate to the Board of Directors:

1. Ability to assure responsibility for adhering to the terms of the occupancy agreement and By-Laws of the Corporation;
2. Satisfactory credit rating;
3. Stability of employment;
4. Ability to pay occupancy charges or proportionate share of homeownership cost;
5. Receptivity to project living conditions, and;
6. Suitable living habits.

A key part in our program to determine occupant acceptability will be a visit by the Resident Manager or Sales Agent, where practical, to the applicant's current place of residence so that living habits can be observed first hand.

An occupant point rating system will be used to help determine which applicants should be selected. A copy of the Application Form and of the Occupant Point Rating Form approved by HUD are attached as Exhibits "A" and "B".

The following occupancy limits established by HUD will be strictly enforced in order to insure a safe and healthy living environment for all residents:

HUD Occupancy Limits

Residents must be placed in apartments of appropriate size for the composition and size of the household as follows:

<u>Bedrooms</u>	<u>NUMBER OF PERSONS</u>	
	<u>Minimum</u>	<u>Maximum</u>
2	2	4
3	4	6

Section 4. Right of Occupancy. Each Class A member, solely by reason of his membership in the Corporation, shall be entitled to occupy for residential purposes a dwelling unit in the housing development owned or to be owned by the Corporation. Such occupancy shall be pursuant to a form of occupancy agreement prescribed by the Board of Directors.

Section 5. No Subletting Without Consent of Corporation. Members in the Corporation may not assign their occupancy agreements nor sublet their dwelling units without the written consent of the Board of Directors. Subletting will be permitted only in cases of extreme hardship. The form and content of all subleases must likewise be approved by the Board of Directors. The liability of the member under the occupancy agreement shall continue notwithstanding the fact that he may have sublet the dwelling unit with the approval of the Board of Directors and the member shall be responsible to the Corporation for the conduct of his sub-lessee. Any unauthorized subleasing shall, at the option of the Board of Directors, result in the termination and forfeiture of the member's rights under the occupancy agreement. Non-paying guests of the member may occupy the member's unit under such conditions as may be prescribed by the Board of Directors.

Section 6. Authorized Class A Membership. The authorized Class A memberships of the Corporation shall be a number equal to the number of dwelling units in the housing development owned or to be owned by the Corporation.

Section 7. Membership Certificates. Each Class A membership certificate shall state that the Corporation is organized under the laws of the State of Maryland, the name of the registered holder of the membership represented thereby, the Corporation lien rights as against such memberships as set forth in this Article and the preferences and restrictions applicable thereto; and shall be in such form as shall be approved by the Board of Directors. Membership certificates shall be consecutively numbered, bound in one or more books, and shall be issued therefrom upon certification as to full payment. Every membership certificate shall be signed by the President or Vice President, and the Secretary or Assistant Secretary, and shall be sealed with the corporate seal.

Section 8. Lost Certificates. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates previously issued by the Corporation and alleged to have been destroyed or lost, upon the making of an affidavit of that fact by the person claiming the certificate

to be lost or destroyed. When authorizing such issuance of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the registered owner of such lost or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as the Board of Directors shall require and to give the Corporation a bond in such sum as the Board of Directors may require as indemnity against any claim that may be made against the Corporation.

Section 9. Lien for Occupancy Charges. The Corporation shall have a lien on the outstanding Class A memberships to secure payment of any sums which shall be or become due from the holders thereof for any reason whatsoever, including any sums due under any occupancy agreements.

Section 10. Termination of Membership by Member.

- (a) Transfer of Membership. Except as provided herein, memberships in the Corporation shall not be transferable and, in any event, no transfer of membership shall be made within ten (10) days next preceding the annual meeting of the Corporation. In the event a Class A member elects to withdraw from membership, his membership certificate shall be surrendered to the Corporation for cancellation in accordance with this Section 10, and his occupancy agreement terminated.
- (b) Corporation's Option to Purchase. If a Class A member desires to terminate his membership and vacate the development, he shall notify the Corporation in writing of such intention and the Corporation shall have an option for a period of thirty (30) days commencing the first day of the month following its receipt of such notice, but not the obligation, to purchase the membership, together with all of the member's rights with respect to the dwelling unit, at an amount to be determined by the Corporation as representing the transfer value thereof, less any amounts due by the member to the Corporation under the occupancy agreement or otherwise, and less the cost or estimated cost of all deferred maintenance, including painting, re-decorating, floor finishing, and such repairs and replacements as are deemed necessary by the Corporation to place the dwelling unit in suitable condition for another occupant. The purchase by the Corporation of the membership will immediately terminate the member's rights and the member shall forthwith vacate the premises. If the Corporation, by written notice to the member, waives its right to purchase the membership under the foregoing option, or if the Corporation fails to exercise such option within the thirty (30) day period, the member may sell his right to membership to any natural person who has been duly approved in accordance with HUD regulations and these By-Laws by the Corporation as a member and occupant. If the Corporation agrees, at the request of the member, to assist the

member in finding a purchaser, the Corporation shall be entitled to charge the member a fee it deems reasonable for such service. When the purchaser has been approved for membership, and has executed the prescribed occupancy agreement, the retiring member shall be released from his obligation under his occupancy agreement, provided he has paid all amounts due the Corporation to date and has surrendered his membership certificate to the Corporation.

(c) Transfer Value. Whenever the Board of Directors elects to purchase a Class A membership, the term "transfer value" shall mean the sum of the following:

- (1) The consideration or "down payments" (i.e., subscription price, plus payment under the occupancy agreement) paid for the membership, as shown on the books of the Corporation; plus
- (2) The value, as determined by the Board of Directors, of any improvements installed at the expense of the member with the prior approval of the Board of Directors, under a valuation formula which does not provide for reimbursement in an amount in excess of the typical initial cost of the improvements, less depreciation; plus
- (3) The amount applicable to the membership and to the occupancy agreement appurtenant to such membership, commencing with the first full year after the Corporation has made its first principal payment on the mortgage (base period), and which shall be determined by the percent increase in the United States Department of Labor Area Wage Survey for Washington, D.C., over the base period, but in no event shall this amount be increased in excess of the percent increase in the City of Rockville assessed valuation for the land and improvements thereon of the Corporation over the base period.

Section 11. Termination of Membership Upon Death of Member. If, upon death of a member, the membership of that member in the Corporation passes by will or intestate distribution to a member of the immediate family of the member, such legatee or distributee may, by assuming in writing the terms of the Subscription Agreement and Occupancy Agreement, where required by the Administration, within sixty (60) days after member's death, and paying all amounts due thereunder, become a member of the Corporation. If member dies and an obligation is not assumed in accordance with the foregoing, then the Corporation shall have an option to purchase the membership from the deceased member's estate in the manner provided in Section 10 Paragraph (b), written notice of the death being equivalent to notice of intention to withdraw. If the Corporation does not exercise such option, the provisions of Section 10 Paragraph (b) shall be applicable, the references to "member" therein to be construed as references to the legal representative of the deceased member.

Section 12. Termination of Membership for Cause. In the event the Corporation has terminated the rights of a member under the Occupancy Agreement, the member shall be required to deliver promptly to the Corporation the membership certificate of the member and the Occupancy Agreement of the member, both endorsed in such manner as may be required by the Corporation. The Corporation shall thereupon at its election either (1) repurchase said membership at its transfer value (as hereinabove defined) or the amount the retiring member originally paid for the acquisition of the membership certificate, whichever is the lesser, or (2) proceed with reasonable diligence to effect a sale of the membership to a purchaser and at a sales price acceptable to the Corporation. The retiring member shall be entitled to receive the amount so determined, less the following amounts (the determination of such amounts by the Corporation to be conclusive):

(a) any amounts due to the Corporation from the member under the Occupancy Agreement;

(b) the cost or estimated cost of all deferred maintenance, including painting, redecorating, floor finishing, and such repairs and replacements as are deemed necessary by the Corporation to place the dwelling unit in suitable condition for another occupant, and;

(c) legal and other expenses incurred by the Corporation in connection with the default of such member and the resale of the membership. In the event the retiring member for any reason should fail for a period of 10 days after demand to deliver to the Corporation the endorsed membership certificate, said membership certificate shall forthwith be deemed to be cancelled and may be reissued by the Corporation to a new purchaser.

Section 13. Sales Price. Subject to the provisions of Article III, Section 10, membership rights may be sold by a member at a sales price not in excess of the transfer value computed in accordance with this Article. The Corporation shall be entitled to charge a resale fee of up to \$100., and a fee up to \$50. for amending its records and issuing a new membership certificate. Where the sale is accomplished by a member, a certificate in form approved by the FHA as to the price paid shall be executed by the seller and purchaser and delivered to the Corporation.

Section 14. Subscription Funds. All Subscription Funds (which term includes the funds collected from each subscriber on account of the Subscription Price and the initial payment under the occupancy agreement, but excludes the funds required for credit reports) received from applicants shall be deposited promptly without deduction in a special account or accounts (savings or checking) of the Corporation as escrowee or trustee for the subscribers to membership, which monies shall not be general corporate funds, but shall be held solely for the benefit of the subscribers until transferred to the account of the Corporation as hereinabove provided. Such special account or accounts shall be established with such bank or banks or savings and loan association or associations whose deposits are insured by an agency of the Federal Government. Such account or accounts may be interest

bearing with the interest earned to be retained and owned by the Corporation. Such funds shall be subject to withdrawal, or transfer to the account of the Corporation or disbursed in a manner directed by the Corporation only upon certification (which certification in abbreviated form shall appear on the face of any check, if such funds have been deposited in a checking account) by the President or Vice President and Secretary or Assistant Secretary of the Corporation to the above-named institution or institutions that:

- (a) The Subscription Agreement of the named applicant has been terminated pursuant to its terms and such withdrawal is required to repay the amount payable to him/her under such agreement; or
- (b) Applicants for at least 90% (or such lesser number as may have been approved by HUD) of the dwelling units to be covered by the mortgage have not been procured within the effective period of the HUD Commitment, or any extension thereof, and such withdrawal is required to repay to the applicants the amount payable to them under such agreement; or
- (c) Applicants for at least 90% of the dwelling units to be covered by the mortgage (or such lesser number as may be approved by HUD) have signed Subscription Agreements, have been approved as to their credit by HUD, and have paid the subscription price in full (or such lesser amounts as may have been approved by HUD). If these requirements have been met and the mortgage loan has been scheduled for closing with the approval of HUD, the entire amount of the funds in the subscription escrow account may be transferred to the Corporation (an amount equal to two percent (2%) of the Corporation's mortgage to be placed in a working capital account) at which time the Corporation shall issue and deliver membership certificates to all members.

If more than one mortgage is to be executed by the Corporation, this Section shall be deemed to be applicable to the specific subscription fund received from applicants with respect to the specific dwelling units to be covered by each mortgage and to require the creation of separate and specific escrow accounts with respect to each mortgage.

ARTICLE IV MEETINGS OF MEMBERS

Section 1. Place of Meetings. Meetings of the membership shall be held at the principal office or place of business of the Corporation or at such other suitable place convenient to the membership as may be designated by the Board of Directors.

Section 2. Annual Meetings. The first annual meeting of the Corporation shall be held on June 1, 1981, or such later date as may be established by resolution of the Board of Directors. Thereafter, the annual meeting of the Corporation shall be held on the second Wednesday of June of each succeeding year. At such meeting there shall be elected a Board of Directors in accordance with the requirements of Article V of these By-Laws. The members may also transact such other business of the Corporation as may properly come before them.

Section 3. Special Meetings. It shall be the duty of the President to call a special meeting of the members as directed by resolution of the Board of Directors or upon a petition signed by twenty percent (20%) of the members having been presented to the Secretary or upon the request of the Mayor and Council of the City of Rockville, or American Housing, Inc., or FHA Commissioner or designee. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice unless by consent of four-fifths (4/5) of the members present, either in person or by proxy. Special meetings may not be called by the members until a time subsequent to the date of the first annual meeting except as directed by resolution of the Board of Directors or at the request of HUD, or at the request of the Mayor and Council of Rockville or American Housing, Inc.

Section 4. Notice of Meeting. It shall be the duty of the Secretary to mail a notice of each annual or special meeting, stating the purpose thereof as well as the time and place where it is to be held, to each member of record at his address as it appears on the membership books of the Corporation, or if no such address appears, at his last known place of address, at least ten (10) days but not more than fifty (50) days prior to such meeting, except in the case of a meeting to act on an amendment of the Articles of Incorporation, in which event such notice shall be provided not less than twenty-five (25) nor more than fifty (50) days before the date of the meeting. Service may also be accomplished by the delivery of any such notice to the member at his dwelling unit or last known address. Notice by either such method shall be considered as notice served. Notices of all meetings shall be mailed to the District of Columbia Area Office of the Department of Housing and Urban Development and to the Mayor and Council of Rockville and to American Housing, Inc. Any notice of a meeting to act on an amendment to the Articles of Incorporation shall be accompanied by a copy of the proposed amendment.

Section 5. Waiver of Notice; Action Without Meeting. Notwithstanding any other provision hereinabove to the contrary, whenever any notice of any meeting for any purpose is required to be given, a waiver thereof in writing signed by the persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice. A member who attends a meeting shall be deemed to have had timely and proper notice of the meeting, unless he attends for the express purpose of objecting because the meeting was not lawfully called or convened. Any action required to be taken at a meeting of the members, or any action which may be taken at such a meeting, may be taken without a meeting if a consent in writing, setting forth the action so taken shall be signed by all of the members entitled to vote with respect to the subject matter thereof. Such consent shall have the same force and effect as a unanimous vote.

Section 6. Quorum. The presence, either in person or by proxy, of at least twenty-five percent (25%) of the members of record of the Corporation and in good standing as determined in Section 8 of this Article, shall be requisite for, and shall constitute, a quorum for the transaction of business at all meetings of members. If the number of members at a meeting drops below the quorum and the question of a lack of a quorum is raised, no business may thereafter be transacted.

Section 7. Adjourned Meetings. If any meeting of members cannot be organized because a quorum has not attended, or a meeting has been ended because the number of members at said meeting has dropped below the quorum, the members who are present, either in person or by proxy, may, except as otherwise provided by law, adjourn the meeting to a time not less than forty-eight (48) hours from the time the original meeting was called, at which subsequent meeting the quorum requirement shall be fifteen percent (15%).

Section 8. Voting. At every meeting of the Class A members, each member present, either in person or by proxy, shall have the right to cast one vote on each question and never more than one vote. Where a membership is jointly owned, each joint owner shall have the right to cast one-half vote. The vote of the majority of those present, in person or by proxy, shall decide any question brought before such meeting, unless the question is one upon which, by express provision of statute or of the Articles of Incorporation, or these By-Laws, a different vote is required, in which case such express provision shall govern and control. No member shall be eligible to vote or to be elected to the Board of Directors who is shown on the books or management accounts of the Corporation to be more than thirty (30) days delinquent in payment of any monies due to the Corporation under his occupancy agreement or otherwise.

Section 9. Proxies. A member may appoint as his proxy only a member of his immediate family (as defined by the Board of Directors) or another member. Any proxy must be filed with the Secretary at least seventy-two (72) hours before the appointment time of each meeting.

Section 10. Order of Business. The order of business at all regularly scheduled meetings of the Class A members shall be as follows:

- (a) Roll call;
- (b) Proof of notice of meeting or waiver of notice;
- (c) Reading of minutes of preceding meeting;
- (d) Reports of officers and Mayor and Council of Rockville;
- (e) Reports of committees;
- (f) Report of manager or management agent;
- (g) Election of inspectors of election (if annual meeting);
- (h) Election of directors (if annual meeting);
- (i) Unfinished business, and;
- (j) New business.

In the case of special meetings, items (a) through (d) shall be applicable and thereafter the agenda shall consist of the items specified in the notice of meeting. If present, a representative of HUD or a representative of the Mayor and Council of

Section 3. Vacancies. Vacancies on the Board of Directors caused by any reason other than the removal of a Director by a vote of the membership shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is elected by the members at the next annual meeting to serve out the unexpired portion of the term. However, in the event of a vacancy of a Director, which Director was elected by the Mayor and Council of Rockville, or by American Housing, Inc., said Mayor and Council of the City of Rockville and American Housing, Inc., respectively, shall have the right to elect a successor.

Section 4. Removal of Directors. At any regular or special meeting duly called, any Director elected by the members may be removed with or without cause by the affirmative vote of the majority of the entire regular membership of record and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the members shall be given an opportunity to be heard at the meeting. The term of any Director who becomes more than thirty (30) days delinquent in payment of his carrying charges or recertification of his income (where applicable), shall be automatically terminated and the remaining Directors shall appoint his successor as provided in Section 3 above. The terms of this Article V, Section 4, shall not, however, apply to Directors designated by either American Housing, Inc. or the Mayor and Council of Rockville.

Section 5. Compensation. No compensation shall be paid by the Corporation to Directors for their services as Directors. No remuneration shall be paid to Directors for services performed by him for the Corporation in any other capacity, unless a resolution authorizing such remuneration shall be unanimously adopted by the Board of Directors before the services are undertaken. A Director may not be an employee of the Corporation. No remuneration or compensation shall in any case be paid to a Director without the approval of HUD.

Section 6. Powers and Duties. The Board of Directors shall have all the powers and duties necessary for the administration of the affairs of the Corporation and may do all such acts and things as are not by law or by these By-Laws directed to be exercised and done by the members.

(a) The powers of the Board of Directors shall include, but not be limited to, the following:

- (1) To accept or reject all applications for membership and admission to occupancy of a dwelling unit in the cooperative housing development, either directly or through an authorized representative;
- (2) Subject to the approval of HUD, to establish monthly housing charges as provided for in the occupancy agreement and based on an operating budget approved in advance by American Housing, Inc. and the Mayor and Council of Rockville and formally adopted by such Board;

Rockville, or a representative of American Housing, Inc. will be given an opportunity to address any regular or special meeting.

ARTICLE V
DIRECTORS

Section 1. Number and Qualifications. The Board of Directors shall consist initially of those persons identified in the Articles of Incorporation as the Initial Board of Directors. The Initial Board of Directors shall serve until the election of permanent Directors by the Class A members as hereinafter set forth.

At the first annual meeting or any special meeting of the membership called for the purpose of electing directors, and thereafter, upon the taking of office of such Directors, the affairs of the Corporation shall be governed by a Board of Directors composed of five (5) persons, at least three (3) of whom shall be members of the Corporation and shall be elected by ballot of the members. In no case may more than one (1) person per household serve on the Board of Directors. The Mayor and Council of Rockville and American Housing, Inc. shall each have the right to elect one (1) of the five (5) Directors to the Board of Directors, provided that their representatives shall not be members of the Corporation. They shall each give notice to the Corporation of their intent to elect or not to elect a Director, and that if they exercise their rights to elect Directors at the first annual meeting or any special meeting of the membership called for the purpose of electing Directors, they shall elect Directors whose term of office at the first annual meeting shall be fixed at one (1) year. Thereafter, whenever the term of a Director expires and no Director elected by either the Mayor and Council of Rockville or American Housing, Inc. is at such time a member of the Board of Directors, the Mayor and Council of Rockville or American Housing, Inc. as the case may be, shall have the right to elect a Director to succeed the Director whose term has expired. In the event the Mayor and Council of Rockville and American Housing, Inc. do not elect Directors to the Board of Directors, these Directors shall be elected by ballot of the members.

Section 2. Election and Term of Office. The term of the Directors named in the Articles of Incorporation shall expire when their successors have been elected as provided in Section 1 of this Article, at the first annual meeting or any special meeting called for the purpose, and have taken office as Directors; provided, that any such special meetings to be held prior to the first annual meeting shall be called only as directed by resolution of the Board of Directors or by the Mayor and Council of Rockville. At the first annual meeting of the members, the term of office of one (1) Director shall be fixed for three (3) years, the term of office of two (2) Directors shall be fixed at one (1) year. At the expiration of the initial term of office of each respective Director, his successor shall be elected as provided in Section 1 of this Article to serve a term of three (3) years. The Directors shall hold office until their successors have been elected as provided in Section 1 of this Article and hold their first meeting.

- (3) Subject to the approval of the mortgagee on the Corporation's mortgage, American Housing, Inc. and the Mayor and Council of Rockville, to engage an agent for the management of the development under such terms as the Board of Directors may determine;
 - (4) To terminate membership and occupancy rights for cause, and;
 - (5) To promulgate such rules and regulations pertaining to use and occupancy of the premises as may be deemed proper and which are consistent with these By-Laws and the Articles of Incorporation.
- (b) The duties of the Board of Directors shall include, but not be limited to, the following:
- (1) Provide each month, on a continuing basis, a monthly report and within 60 days after the end of the corporate fiscal year, an annual audit statement to American Housing, Inc. and the Mayor and Council of Rockville;
 - (2) Whether or not American Housing, Inc. and the Mayor and Council of Rockville have elected Directors to the Board of Directors, provide timely notice of any meeting, regular or special, to American Housing, Inc. and the Mayor and Council of Rockville, in the same manner as notice is given to each member of the Board of Directors and permit representatives of American Housing, Inc. and the Mayor and Council of Rockville to attend, participate and address such meeting, and;
 - (3) Assure access to land and improvements owned by the Corporation, upon reasonable notice and at reasonable times, to representatives of American Housing, Inc. and the Mayor and Council of Rockville, and its agents.

Section 7. Organization Meeting. The first meeting of a newly-elected Board of Directors shall be held within ten (10) days of election or as soon as the Board may in the discretion of the Mayor and Council of Rockville have completed an orientation program as provided by the management agent or otherwise provided by American Housing, Inc., whichever is later. The meeting shall be at such place as shall be fixed by the Directors at the meeting at which such Directors were elected, and no notice shall be necessary to the newly-elected Directors in order legally to constitute such meeting, providing a majority of the whole Board shall be present.

Section 8. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the Directors, but at least four (4) such meetings shall be held

during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each Director, personally or by mail, telephone or telegraph, at least three (3) days prior to the day named for such meeting.

Section 9. Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) days notice to each Director, given personally or by mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least three Directors.

Section 10. Waiver of Notice. Before or at any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting. Where all of the Directors unanimously approve and sign a corporate resolution or authorization (which is to be included in the minute book), such action shall be recognized as proper corporate action taken at a duly authorized meeting, without proceeding under the provisions hereof that would otherwise be applicable for calling and holding Directors meetings.

Section 11. Quorum. At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If at any meeting of the Board of Directors there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 12. Fidelity Bonds. The Board of Directors shall require that all officers and employees of the Corporation handling or responsible for corporate or trust funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Corporation.

Section 13. Safeguarding Subscription Funds. It shall be the duty of the Board of Directors to see to it that all sums received in connection with membership subscriptions prior to the final closing of the mortgage transaction covering the housing development of the Corporation, are deposited and withdrawn only in the manner provided in Article III of these By-Laws.

Section 14. Committees. The Board of Directors may, by resolution adopted by a majority of the Directors in office, designate one or more committees, each of which shall consist of two or more Directors, which committees, to the extent provided and on the subject matter designated in such resolution, shall have and

exercise the authority of the Board of Directors; except to approve an amendment of the Articles of Incorporation, a plan of merger or consolidation or the sale, lease, mortgage or other disposition of all, or substantially all, the property and assets of the Corporation.

ARTICLE VI
OFFICERS

Section 1. Designation. The principal officers of the Corporation shall be a President, one or more Vice Presidents, a Secretary, all of whom shall be elected by and from the Board of Directors and a Treasurer who shall be elected by the Board of Directors. (The offices of Secretary and Treasurer may be held by one person). The Directors may appoint such other officers as in their judgment may be necessary or desirable.

Section 2. Election of Officers. The officers of the Corporation shall be elected annually by the Board of Directors at the organization meeting of each new Board and shall hold office at the pleasure of the Board.

Section 3. Removal of Officers. Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board of Directors or at any special meeting of the Board called for such purpose.

Section 4. President. The President shall be the chief executive officer of the Corporation. He shall preside at all meetings of the members and of the Board of Directors. He shall have all the general powers and duties which are usually vested in the office of president of a corporation, including, but not limited to, the power to appoint committees from among the membership from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Corporation.

Section 5. Vice President. The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors. If more than one Vice President is elected, their respective ranks shall be designated at such election.

Section 6. Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the members of the Corporation. He shall be the custodian of the seal of the Corporation. He shall have charge of the membership record books and of such other books and papers as the Board of Directors may direct. He shall, in general, perform all duties incident to the office of Secretary.

Section 7. Treasurer. The Treasurer shall have responsibility for corporate funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Corporation. He shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Corporation in such depositories as may from time to time be designated by the Board of Directors.

ARTICLE VII
RIGHTS OF DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

The management, operation and control of the affairs of the Corporation shall be subject to the rights, powers and privileges of HUD pursuant to a Regulatory Agreement between the Corporation and HUD. The Corporation is bound by the provisions of a Regulatory Agreement which is a condition precedent to the insurance of the mortgage of the Corporation on the housing development. In the event of a conflict of position between HUD and either American Housing, Inc. or the Mayor and Council of Rockville on any matter of concern in these By-Laws, the position of HUD shall prevail.

ARTICLE VIII
AMENDMENTS

Until the final closing of the Corporation's mortgage, and the election and assumption of office of the Board of Directors (the majority of whom are residents of the housing development) whichever is later, these By-Laws may be amended by the affirmative vote of the majority of the Board of Directors at any regular or special meeting, provided that no amendment shall become effective unless and until it has received the written approval of HUD, American Housing, Inc. and the Mayor and Council of Rockville. Thereafter, these By-Laws may be amended by the affirmative vote of the majority of the entire regular membership of record at any regular or special meeting provided that no amendments shall become effective unless and until it has received the approval of HUD, American Housing, Inc. and the Mayor and Council of Rockville. Amendments may be proposed by the Board of Directors or by petition signed by at least twenty percent (20%) of the members. A description of any proposed amendment shall accompany the notice of any regular or special meeting at which such proposed amendment is to be voted upon.

ARTICLE IX
CORPORATE SEAL

The Board of Directors shall provide a suitable corporate seal containing the name of the Corporation, which seal shall be in charge of the Secretary. If so directed by the Board of Directors, a duplicate of the seal may be kept and used by the Treasurer or any assistant secretary or assistant treasurer.

ARTICLE X
FISCAL MANAGEMENT

Section 1. Monthly Carrying Charges. Commencing at such time as shall be established by the Board of Directors, the member agrees to pay to the Corporation a monthly sum ("Carrying Charges"), equal to one-twelfth (1/12) of the member's proportionate share of the sum required by the Corporation, as estimated by the Board of Directors, to meet its annual expenses, including, but not limited to, the following items:

- (a) The cost of all operating management of the development and services furnished;
- (b) The cost of necessary management and administration;
- (c) The amount of all taxes and assessments levied against the development of the Corporation of which it is required to pay, and ground rent, if any;
- (d) The cost of fire and extended coverage insurance on the development and such other insurance as the Corporation may effect or as may be required by any mortgage on the development;
- (e) The cost of furnishing water, garbage and trash collection and other common area utilities, as furnished by the Corporation;
- (f) All reserves set up by the Board of Directors, including the general operating reserve, the reserve for replacements, and decorating reserves;
- (g) The estimated cost of repairs, maintenance and replacements of the development property to be made by the Corporation;
- (h) The amount of principal, interest, mortgage insurance premiums, if any, and other required payments on the hereinafter-mentioned insurance mortgage, and;
- (i) Any other expenses of the Corporation approved by the Board of Directors, including operating deficiencies, if any, for prior periods.

The Board of Directors shall determine the amount of the Carrying Charges annually, but may do so at more frequent intervals, should circumstances so require. No member shall be charged with more than his proportionate share thereof as determined by the Board of Directors. That amount of the Carrying Charges required for payment on the principal of the mortgage of the Corporation or any other capital

expenditures shall be credited upon the books of the Corporation to the "Paid-In-Surplus" account as a capital contribution by the members.

Where the annual family income of a member is such that he or she is entitled to Housing Assistance Payments made by HUD to the Corporation, the monthly Carrying Charges for the member shall be reduced to reflect these Housing Assistance Payments.

It is understood and agreed that if the annual family income of the member is hereafter increased, his or her monthly Carrying Charges will be increased to the extent required by HUD as set forth in the Regulatory Agreement between the Corporation and HUD.

A member's family income, family composition or other eligibility requirements are substantial and material conditions with respect to the amount of monthly Carrying Charges he or she will be obligated to pay and with respect to his or her continuing right of occupancy. The member agrees to make a recertification of his income to the Corporation every year (or every two years in the case of elderly families) from the date of these By-Laws, so long as he or she is receiving the benefit of Housing Assistance Payments made by HUD to the Corporation. The member's monthly Carrying Charges are subject to adjustment by the Corporation to reflect income charges which are disclosed on any of the member's recertifications, as required by HUD. Immediately upon making such adjustment, the Corporation shall give thirty (30) days written notice to the member stating the new amount the member will be required to pay, which, until further notice, shall then be the member's monthly Carrying Charges.

The member shall pay to the Corporation any monthly Carrying Charges which should have been paid but for (a) member's misrepresentation in his initial income certification or recertification, or any other information furnished to the Corporation; or (b) member's failure to supply income recertifications when required or to supply information requested by the Corporation.

Section 2. Reserve for Replacements. The Corporation shall establish or continue to maintain a reserve fund for replacements by the allocation to such reserve fund in a separate account with the mortgagee or in a safe and responsible depository designated by the mortgagee or HUD, concurrently with the beginning of payments towards amortization of the principal of the mortgage of an amount approved in writing by HUD.

Section 3. Fiscal Year. The fiscal year of the Corporation shall begin on the first day of January of each year, except that the first fiscal year of the Corporation shall begin at the date of incorporation. After the final loan closing with HUD and the taking of office by the resident Board of Directors, the commencement date of the fiscal year herein established shall be subject to change by the Board of Directors should corporate practice subsequently dictate, but not without the prior written approval of HUD.

Section 4. Books and Accounts. Books and accounts of the Corporation shall be kept under the direction of the Treasurer and in accordance with the Uniform System of Accounts of HUD and other applicable HUD rules and decisions.

Section 5. Auditing. At the closing of each fiscal year, the books and records of the Corporation shall be audited by a Certified Public Accountant. The Corporation shall make available to its members and send to American Housing, Inc. and the Mayor and Council of Rockville and HUD an annual audited financial statement including the income and disbursements of the Corporation. The Corporation will also supply the members, as soon as practicable after the end of each calendar year, with a statement showing each member's pro rate share of the real estate taxes and mortgage interest paid by the Corporation during the preceding calendar year.

Section 6. Inspection of Books. Financial reports such as are required to be furnished to HUD, American Housing, Inc. and the Mayor and Council of Rockville, the Corporation shall be available at the principal office of the Corporation for inspection at reasonable times by any member.

Section 7. Execution of Corporation Documents. With prior authorization of the Board of Directors, all notes and contracts, including occupancy agreements, shall be executed on behalf of the Corporation by any officer of the Corporation, and all checks shall be executed on behalf of the Corporation by any two officers of the Corporation.

ARTICLE XI RIGHTS OF MAYOR AND COUNCIL OF ROCKVILLE

The management, operation and control of the affairs of the Corporation shall be subject to the rights, powers, and privileges of the Mayor and Council of Rockville, pursuant to an Agreement which may be entered into between the Corporation and the Mayor and Council of Rockville, and these By-Laws and other documents (including Housing Assistance Payments Contract). The Mayor and Council of Rockville shall also be a required consenting party to any contract for the management of the housing development of the Corporation.